

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF
CALIFORNIA



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In the Matter of the Application of
SAN JOSE WATER COMPANY (U
168 W) Approving the Sale of the
Main Office under Section 851 and
Authorizing the Investment of the
Sale Proceeds under Section 790

Application 07-01-035
(Filed January 22, 2007)

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES

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February 23, 2007

I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) submits the following protest to the SAN JOSE WATER COMPANY's (SJWC) Application 07-01-035, filed on January 22, 2007. The application requests that the Commission approve the sale of the Main Office of SJWC for \$4 million under Section 851 of the Public Utilities Code and authorize SJWC to reinvest the net proceeds of the sale in accordance with Section 790 of the Public Utilities Code.¹

DRA's overarching concern with the application is ensuring that ratepayers will benefit from both the sale of SJWC's Main Office and the reinvestment of the net proceeds from the sale. In order for DRA to accurately assess whether the proposed sale of SJWC's Main Office and reinvestment of the net proceeds of the sale in infrastructure is just, reasonable, and in the public interest, DRA will need to conduct discovery in this proceeding. Therefore, DRA requests a prehearing conference to set the schedule for the application as well as the schedule for an evidentiary hearing.

II. DISCUSSION

In A. 07-01-035, SJWC seeks Commission approval under Section 851 to sell its Main Office located in an historic landmark building at 374 West Santa Clara Street, San Jose, California for \$4 million and to reinvest the net proceeds of the sale in infrastructure pursuant to Section 790. SJWC contends that it has outgrown the Main Office, that remodeling of its Main Office is costly due to its historical landmark status, and that it has considered all reasonable alternatives.

To assist SJWC's assessment of its real estate alternatives, CBRE Consulting prepared a financial analysis of a base case and two alternatives: (1) the base case involves renovating the Main Office and leasing an additional 3980

¹ All section references are to the Public Utilities Code unless otherwise noted.

square feet of space on the first floor of 1265 Bascom Avenue, San Jose, where SJWC is currently leasing the second floor; (2) Alternative 1 involves selling the Main Office and leasing the first floor of 1265 Bascom Avenue, San Jose and leasing a new building in downtown San Jose to accommodate personnel from the Main Office; and (3) Alternative 2 involves selling the Main Office and purchasing 1265 Bascom Avenue, San Jose, and purchasing a new building in downtown San Jose to accommodate personnel from the Main Office.² CBRE Consulting concluded that the most economic option is for SJWC to proceed with Alternative 2, which is to sell the Main Office and purchase a new downtown property for a company headquarters and walk-in customer service center as well as the 1265 Bascom Avenue building in San Jose.³

DRA is not convinced that CBRE's recommendation to proceed with Alternative 2, the sale of the Main Office and the purchase of a new building in San Jose as well as the purchase of the building at 1265 Bascom Avenue, San Jose, is the most reasonable alternative. DRA points out that CBRE's cost and cash flow analyses of the three alternatives are based on maximizing cash flow to SJWC's shareholders. DRA believes that the cost and cash flow analyses should include a cost analysis from SJWC's ratepayers' point of view. Moreover, DRA finds that CBRE's cost and cash flow analyses of the three alternatives fails to demonstrate the effect of the three scenarios on SJWC's revenue requirements. Therefore, DRA needs to conduct discovery on these issues and will provide its own cost and cash flow analyses of the three proposed scenarios thereby enabling DRA to make appropriate recommendations that consider the impact on ratepayers.

² SJWC's Report on Facilities Consolidation and Main Office Relocation (attached to A. 07-01-035, See Stein's testimony, pp. 1-10.

³ Id. at p.10.

SJWC asserts that it has outgrown the Main Office facility and is that the facility is no longer useful for utility operations. Therefore, SJWC requests that it be allowed to reinvest the net proceeds of the sale of its Main Office in new infrastructure pursuant to Section 790. Specifically, SJWC states that it will reinvest the proceeds by acquiring a new building in downtown San Jose to serve its headquarters and walk-in customer service facility.⁴ SJWC includes a proposed accounting treatment of the proceeds from the sale of the Main Office in its application.⁵

DRA questions SJWC's calculation of the net proceeds from the sale of the property. In DRA's view, all of the costs and the loss of the book value resulting from the sale should be offset against the sale proceeds, not just the book value of the structures and improvements. Moreover, the sale would require a premature retirement of some wells and other capital investments. Therefore, DRA plans to prepare a report detailing its analyses and recommendations on the proposed sale and the applicability of Section 790.

III. PROCEDURAL REQUIREMENTS

A. Need for Evidentiary Hearing

DRA requests an evidentiary hearing so that it may examine whether the sale of the Main Office is necessary and whether any one of the three scenarios presented by SJWC is just, reasonable and in the best interests of ratepayers. The hearing will also afford the Commission an opportunity to examine whether SJWC should be authorized to reinvest the net proceeds from the sale of the Main Office pursuant to Section 790.

⁴ A. 07-01-035, p. 9.

⁵ Id. at p. 10.

B. Proposed Schedule

DRA proposes the following schedule:

Prehearing Conference	March 23, 2007
Public Participation Hearings	April 2007
DRA's Reports & Testimony	June 8, 2007
Evidentiary Hearings	June 28-29, 2007
Opening Briefs Filed & Served	July 20, 2007
Reply Briefs Filed & Served	August 3, 2007
ALJ's Proposed Decision	September 7, 2007
Comments on Proposed Decision	September 21, 2007
Reply Comments	September 28, 2007
Commission's Agenda	Mid October 2007 Commission meeting

C. Categorization

DRA agrees that this proceeding should be categorized as a "ratesetting."

Respectfully submitted,

/s/ MARIA L. BONDONNO

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES** in **A.7-01-035** by using the following service:

☒ **E-Mail Service:** sending the entire document as an attachment to an e-mail message to all known parties of record to this proceeding who provided electronic mail addresses.

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Executed on February 23, 2007 at San Francisco, California.

/s/ ALBERT HILL

Albert Hill

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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